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PART XV.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

1894.

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CONFIDENTIAL.

Further Correspondence respecting the Finances of Turkey.

Part XV.

No. 1.

Sir P. Currie to the Earl of Rosebery.—(*Received March* 2.)

(No. 95.)

Pera, February 24, 1894.

My Lord,

THE Concessions for the new lines of railway now being constructed in this country by foreign capitalists contain, as your Lordship is aware, heavy guarantees of interest to be paid by the Turkish Government.

The serious burden cast upon the State by the engagements it has thus undertaken is now attracting considerable attention here, and the universal opinion of disinterested persons seems to be opposed to any further extension of these liabilities. They already amount to an annual sum of not much less than a million sterling, which will increase as further expenditure is incurred in completing the lines now under construction.

It is calculated that at least ten years must elapse before the improvement to the revenues, which the railways are expected to produce, will meet the charge, and meanwhile the Railway Companies, being sure of a return for their outlay, have no inducement to make exertions for working the lines to the best advantage.

I inclose an interesting Memorandum drawn up by Mr. Block on this question, together with an article which appeared a few days ago on the same topic in the "Levant Herald."

This article was at first prohibited by the Censorship, but subsequently was allowed to appear.

I have, &c.

(Signed) PHILIP CURRIE.

Inclosure 1 in No. 1.

Memorandum by Mr. Block respecting Railway Guarantees.

(Confidential.)

SOME weeks ago Micail Pasha Portocal, Minister of the Civil List, informed me confidentially that the present system of railway guarantees was most pernicious, and would inevitably, at no distant date, bring very serious financial trouble on the Ottoman Government. He said he had endeavoured in vain to persuade the Sultan of the mistake he was committing in thus pledging a large part of the revenue to pay interest on foreign capital invested in railway enterprise. The Public Debt already absorbs some £ T. 2,552,000 per annum; the Russian war indemnity absorbs £ T. 450,000 per annum; and the Government would now be responsible for some £ T. 2,000,000 when all the railways are constructed. This sum would be considerably reduced by the profits of the railways, but it would take years to free the Government from their liability in this respect. His Excellency seemed to think that the railways

would never cease to be a drain on the Government revenues. "Nous sommes déjà," said his Excellency, "très gênés pour l'argent, et l'année prochaine nous le serons davantage." If there was famine, or cholera, or bad crops, or trouble, the financial outlook was not a bright one.

Information from some of our Consuls bears out these observations, and his Excellency's forebodings are already beginning to be realized, and the shoe is beginning to pinch with regard to the railway guarantees.

The German Anatolian Railway Company is, I am told, claiming already some 4,000,000 fr. from the Government in respect of the guarantee, and I learn that the tithes assigned for the purpose, and collected by the Public Debt Administration, do not suffice to meet the deficit. The best kilometre returns for this year are some 8,000 fr.; thus 7,000 fr., at least, per kilometre has to be provided out of the tithes.

Mr. Caillard, at the time of the Concessions being granted, quite rightly objected to the Debt Administration being saddled with any responsibility with regard to the guarantee, but in his Report of September 1893 he endeavours to show that by the construction of railways the amount of land under cultivation will increase, and that there will be an increase in the value of the tithe from year to year. Such has hitherto proved to be the case, but in face of the want of population it is a question how far this source of revenue is elastic. Again, the sections completed (say 700 kilom.) are as profitable as any that may be constructed later on, and the railway returns will not increase for some time to come by the construction of further extensions, unless, perhaps, by the construction of the Konieh section; this even is doubtful, as if the Aïdin Railway Company ever obtains its extension to join the German line at Tchai or Karahissar (and they are striving to that end), or if the Cassaba line extends to Karahissar, a great part of the traffic will flow to the natural outlet, viz., Smyrna, rather than to Constantinople. The Aïdin Railway Company is within 70 kilom. of the proposed German line, and has already, for some years past, been drawing on the Province of Konieh for its traffic, and is fairly confident of retaining it; they go so far as to maintain that, even without their junction, they will hold their own, and, in any case, considerably reduce the profits of the German line. The Manager of the Aïdin Railway has expressed his determination to do so, even at the risk of a war of rates. Further, a great trunk line in Turkey cannot succeed if extended too fast; heavy goods of low values will not bear the expense of a long railway transit, and, whilst a Smyrna-Konieh or an Ismidt-Angora, or even an Ismidt-Konieh line, may give fair returns, it is doubtful what returns an Ismidt-Sivas line or an Ismidt-Diarbekir line may give, and it is a moot point whether the more distant part of the line, when constructed, instead of swelling the profits, may not reduce them on the home kilometres, which already do not pay sufficiently to dispense with the guarantee. This is the view of the Technical Adviser of the Ministry of Public Works. Mr. Caillard is evidently not over-sanguine of the future, for his Report concludes by stating that the Government now holds the view—in his opinion a wise view—that it has for the present gone far enough in the way of guaranteeing railways.

Other members of the Public Debt Administration have foreseen, months back, that the Government would have to face a deficit in the guarantee, and the Technical Adviser of the Public Works Ministry, who has never ceased to oppose the guarantee system, estimates that the deficit the Government will have to meet amounts to 21,000,000 fr. on the lines in the annexed Table. He does not take into account the guarantee on the Angora-Cesarea section, the completion of which is not at present contemplated.

It is worthy of notice that the Sultan is now considering the advisability of granting the Concession asked for by the Smyrna-Aïdin Company and of withdrawing the Concession for the extension of the Cassaba Railway granted to M. Nagelmackers. The Smyrna-Aïdin Company is the only one which offered to construct an extension without a guarantee, and their proposal is still before the Palace. Lastly, the Imperial Ottoman Bank and the Paris groups interested in guaranteed railways have commenced to counsel moderation in the granting of further Concessions for guaranteed railways, and I am confidentially informed that it was Sir E. Vincent who suggested that Mr. Whitaker should write the article that appeared in to-day's "Levant Herald."

Curiously enough, Mr. Whitaker has omitted the chief and most important argument against State-guaranteed railways, as did also Mr. Caillard in his Annual Report, viz., that besides being a drain on the State resources, the guarantee is a premium on the bad working of the line; in other words, the Company, knowing their

interest on their capital to be assured, and seeing that no efforts of theirs are likely to increase the profits beyond the limit of the guarantee, starves the line.

I annex a Table showing approximately the value of the revenues handed to the Debt Administration for the purpose of paying the railway guarantees, taken from p. 53 of Mr. Caillard's Annual Report of 1893.

(Signed) ADAM BLOCK.

February 21, 1894.

Inclosure 2 in No. 1.

TABLE showing approximately the Value of the Revenues handed to the Debt Administration for the purpose of paying the Railway Guarantees.

			£ T
Previous total explained in the Report published last year		.. ..	931,454
Kilometric guarantee of the Teki-Schehr-Konieh Railway		.. ..	98,530
" "	Salonica-Dédéagatch Railway	.. ..	180,000
" "	Angora-Cesarea Railway ..	.. ..	218,000
" "	Allachekir-Karahissar Railway	.. ..	120,000
" "	Damascus-Beridjik Railway	.. ..	200,000
Total	.. ..	..	1,748,004

Inclosure 3 in No. 1.

Extract from the "Levant Herald" of February 21, 1894.

THE system of encouraging railway undertakings in this country by a guarantee, secured upon the tithes of the districts traversed, of a certain amount of traffic receipts per kilometre is one which needs to be very carefully watched in its working, lest it should lead the Treasury into engagements of too onerous a nature. The principle of this system is fairly sound in theory, because the obvious tendency of improved communications is to increase production; and it may possibly work out satisfactorily in practice in the case of railways undertaken with purely commercial objects. As an instance of the effect of railways upon production we may cite the Anatolian Railway, which seems by such statistics as are available to have stimulated agricultural industry. This we gather from the yield of the tithes of the four sandjaks through which that line passes, the increase in which has doubtless been influenced by the facility of transport afforded by the railway. Subjoined is a comparative statement of this yield for the last four years, the four sandjaks being those of Ismidt, Ertogroul, Kutahia, and Angora:—

Year.	Sandjak.			
	Ismidt.	Ertogroul.	Kutahia.	Angora.
	Piastres.	Piastres.	Piastres.	Piastres.
1889–90	1,586,000	2,828,000	5,892,000	3,177,000
1890–91	3,208,000	2,588,000	4,995,000	1,925,000
1891–92	4,425,000	3,828,000	6,991,000	3,568,000
1892–93	3,920,000	4,068,000	7,403,000	4,948,000

In the first of these four years there was no railway, and the total of the tithes of the four districts amounted to 13,483,000 piastres; towards the end of the last of the four years the whole line was opened to Angora, and the total yield of the tithes was 20,339,000 piastres, an increase of about £ T. 65,000, or, approximately, 50 per cent. This is satisfactory as evidence of the stimulating effect of railways upon production.

But the increase in the tithes is very far from covering the guarantee, for the amount paid in respect of that guarantee for the year 1892-93 was £ T. 180,000, or very nearly the full value of the whole tithe yield; so that from the point of view of the Treasury the State was a loser by the guarantee to the amount of about £ T. 115,000 for the year, notwithstanding the increase of the yield of the tithe. Were there not

PUBLIC RECORD OFFICE, LONDON

attenuating circumstances in this case, these figures alone would suffice to condemn the system of kilometric guarantee. But it must be remembered—

1. That the railway only affected the Sandjak of Angora towards the close of the year, although to some extent producers may have been stimulated by the early prospect of its opening.

2. That the low price of grain has caused producers to hold back.

3. That quarantine has disturbed the regular order of commercial affairs.

But, making full allowance for these circumstances, there is still so wide a margin between the value of the tithe increase and the amount which the Government is called upon to disburse in respect of the guarantee, as to recommend very great caution in extending the kilometric guarantee system.

The Anatolian Railway, which is the subject of our observations, is essentially a commercial line, and will probably conduce to a larger increase of tithe, and will also probably earn considerably more than the 7,000 fr. per kilometre to which its traffic receipts amounted last year. But although these expectations are probabilities, they are not certainties, and until they become so they cannot safely be made the basis of calculation to justify a forward policy in the guarantee system. Moreover, the Anatolian Railway, because of its purely commercial character and the unquestionable largeness, relatively speaking, of its commercial prospects, is a singularly favourable case in point, so that it does not admit of fair comparison with many other undertakings for which kilometric guarantees have been obtained or sought. Under these circumstances prudence seems to suggest that, before giving further extension to the kilometric guarantee system, the experiments made in it should be fully worked out, in order to obtain from practical results a definite and well-grounded basis of calculation. Otherwise the Government may find itself involved in engagements which will seriously interfere with the fruition of those judicious efforts which are now being made by the financial authorities to bring about the budgetary equilibrium which is indispensable to the economic stability of the Empire.

No. 2.

Sir P. Currie to the Earl of Kimberley.—(Received April 9.)

(No. 149.)
Constantinople, April 4, 1894.

My Lord,

I HAVE the honour to transmit to your Lordship herewith a Memorandum, which I have received from a well-informed quarter, respecting the recent conversion of the Oriental Railways Loan.

I have, &c.
(Signed) PHILIP CURRIE.

Inclosure in No. 2.

Memorandum on the Conversion of the Oriental Railways Loan.

THIS was a loan made under a Convention signed on the 22nd November, 1888, from the so-called "Société d'Exploitation des Chemins de Fer Orientaux" to the Imperial Ottoman Government, amounting to 23,000,000 fr., or £ T. 1,000,000. It bore an interest of 5 per cent., and a sinking fund of 2 per cent., and was secured on the minimum "redevance" of 1,500 fr. per kilom., payable to the Government by the said Company, under the arrangement arrived at in the same year. The number of kilometres in the system worked by the Company being in round figures 1,200, the revenue given as security for the loan was 1,800,000 fr.

At the time when this loan was contracted the above-mentioned "Société d'Exploitation" consisted, to all intents and purposes, of one person, i.e., Baron Hirsch. Subsequently a Syndicate was formed, principally by the Deutsche Bank of Berlin, in which, however, large participations were taken by Austrian and British capitalists to buy out Baron Hirsch's interests in the railways, which Syndicate took practically the form of a Trust Company, with which the shares bought from Baron Hirsch were lodged under the name of the "Banque des Chemins de Fer Orientaux," domiciled at Zurich. This operation was effected outside the cognizance of the Imperial Ottoman Government, since it merely consisted in the transfer of the shares from one name to another, and the form of the "Société d'Exploitation" was in no way changed. Under the Arbitration Award upon the differences which existed between Baron Hirsch and the Imperial Ottoman Government, given in 1888, it was settled that the term of the Concession to the "Société d'Exploitation" came to an end at a period of fifty years after the commencement of the "exploitation," but it was not stated at what time this "exploitation" was supposed to have officially commenced. The Government claimed that it was in 1878, whilst the Company claimed that there had never been any official commencement of the "exploitation" until after the Arbitration Award in 1888. There thus arose a difference of ten years in the length of the Concession in their respective calculations, which it was decidedly to the interest of both parties to settle. With this object in view the Company started negotiations in the month of October last for the conversion of what was generally known as the "Hirsch" Loan above described, and proposed that the term of the Concession should coincide with the term of the loan. The Government accept the principle of this proposal, and being, as is not unfrequently the case, hard pressed for ready money, was very easily persuaded to extend the term of the Concession in order that the sinking fund should be reduced, and in this way a larger amount of hard cash was brought immediately into its hands.

The result was as follows:—

A loan has been contracted with the Deutsche Bank and its group for 40,000,000 fr., or, in round numbers, £ T. 1,760,000, bearing a rate of interest of 4 per cent., to be extinguished in sixty-four years. This loan is taken firm at a price of 73½, producing, therefore, in cash £ T. 1,293,600, and is secured in the same manner as the original loan upon a kilometre "redevance" of 1,590 fr. per kilom. of the whole system. The amount outstanding of the original loan was 20,600,000 fr., or £ T. 906,400. The gross amount of cash, therefore, left at the disposal of the Turkish Government was £ T. 387,200. The actual net amount paid into the Imperial Treasury by the Deutsche Bank and its group is in round figures 7,350,000 fr., or £ T. 323,400 (294,000*l.*). The difference between these gross and net amounts, *i.e.*, £ T. 63,800 (58,000*l.*), is charged as provision for the July coupon 35,200*l.*; expenses attendant upon the loan, comprising printing of the bonds, stamps, &c., 4,800*l.*; payment on account of military transports to the "Oriental Railways," 16,000*l.*; and various petty expenses, 2,000*l.*

Briefly the arrangement may be summarized as follows:—

The principal shareholders of the Zurich Bank, which is, as above explained, the proprietor of the Concession for the working of the Oriental Railways, have secured a safe investment at about 5 per cent., and an extension of the Concession, which carries it up to sixty-four years from the present moment (or upwards of twenty years longer than that originally claimed), against a present cash payment to the Imperial Ottoman Government of £ T. 323,400 (294,000*l.*).

Constantinople, April 3, 1894.

No. 3.

Sir P. Currie to the Earl of Kimberley.—(Received May 21.)

(No. 223.)
Constantinople, May 12, 1894.

My Lord,

I INCLOSE, for your Lordship's information, a Memorandum which I have obtained from a reliable source as to the conversions of the Tribute Loans of 1854 and 1871, and of the Oriental Railways Loan of 1885.

It will be seen that, whereas the former conversion has been concluded on terms favourable to the Ottoman Government, the latter entails upon them the eventual loss of a very large sum in return for a present gain of £ T. 308,000.

I have, &c.
(Signed) PHILIP CURRIE.

Inclosure in No. 3.

Memorandum.

CONVERSION DES EMPRUNTS TRIBUTAIRES DE 1854 ET DE 1871.

EMPRUNT de 1854.

	£ s. d.	£
Solde restant au 10 Avril, 1894, défalcation faite de l'amortissement de 19,638*l.*, qui sera effectué au mois de Juillet prochain	..	1,567,750
L'annuité de 5 pour cent d'intérêt et de ½ pour cent d'amortissement de cet emprunt est de ..	99,511 11 7	..

EMPRUNT de 1871.

Cet emprunt devant recevoir l'application d'amortissement après l'extinction de l'Emprunt de 1854, son capital invariable à ce jour est de ..	..		5,378,700
L'intérêt de 4½ pour cent affecté est de	229,737 14 6		..
	329,249 6 1		6,946,450
L'annuité de 329,249*l.* 6*s.* 1*d.* moins la commission de service de ½ pour cent, soit 1,646*l.* 6*s.* 1*d.*, soit 327,603*l.* capitalisée au taux de 3½ pour cent d'intérêt et ½ pour cent d'amortissement (soixante ans) produisent	..	..	8,190,075
			7,452,968
Prise ferme à 91*l.*	..	..	6,946,649
Solde des deux emprunts	..	..	
Solde restant	..	..	506,319
1 pour cent pour frais d'émission, timbre, &c. ..	..	..	81,907
Solde restant au Trésor Impérial Ottoman	..	..	424,412

On demande quels seraient les avantages du Trésor Ottoman dans la conversion de ces deux Emprunts Tributaires si elle était conclue dans les conditions ci-haut établies avec prise ferme à 91 procurant au Trésor Ottoman une rentrée de 424,412*l.* environ.

Selon les modifications apportées en 1877 aux Emprunts Tributaires, l'Emprunt de 1854 sera amorti en trente-trois ans, et dès son extinction son annuité doit être appliquée à l'Emprunt de 1871. Celui-ci à son tour se trouvera être amorti en soixante-deux ans, à partir d'aujourd'hui, de manière que si on laissait ces deux emprunts suivre leur cours normal, ce n'est qu'après soixante-deux ans que les affectations des deux emprunts de 329,249*l.* 6*s.* 1*d.* deviendraient libres.

Cette conversion dans les conditions spécifiées n'exige que seulement soixante ans; il n'y a donc pas de prolongement de délai qu'en général les conversions nécessitent; en conséquence la somme de 424,412*l.* environ que le Trésor retire de cette opération doit être considérée comme pur bénéfice.

Il est à souhaiter que toutes les opérations du Trésor Ottoman s'assimilent ou se rapprochent du résultat de cette conversion tributaire, mais malheureusement elle est l'unique dans les annales des finances Ottomanes tandis que toutes les autres doivent être considérées comme des conversions bâtardes, et particulièrement la dernière conversion, dite "des Chemins Orientaux," conclue avec des maisons Allemandes et Autrichiennes, qui, pour rapporter au Trésor £ T. 307,000 en espèces, lui fait perdre environ £ T. 28,000,000, comme on le verra par les données ci-bas.

Conversion de l'avance de 23,000,000 fr. faite au Trésor Ottoman en 1885 par la Compagnie d'Exploitation des Chemins de Fer Orientaux, au taux de 7 pour cent l'an, et 1 pour cent d'amortissement, contre 1,500 fr. que la susdite Compagnie paye au Gouvernement Ottoman, par an et par kilomètre, sur 1,170 kilom. du réseau qu'elle exploite et dont la Concession expire dans trente ans, soit en 1925 :—

	Fr.
Annuité, 1,740,000 fr., capitalisée à 4 pour cent d'intérêt, et 35 c. d'amortissement, soit soixante-quatre ans	40,000,000
Prise ferme à 73½ pour cent (émis à 85)	29,400,000
Remboursement du solde des 23,000,000 fr. jouissance de six mois sur les coupons. Remboursement des intérêts de quatre mois, au solde de l'avance des 23,000,000 fr.	
Confection de 80,000 titres, timbres, soit en chiffres ronds	22,400,000
Solde revenant au Trésor Ottoman	7,000,000
Soit	£ T. 308,000

Cette conversion, aux conditions établies dans le Tableau ci-haut, non seulement prolonge moyennant le versement de 7,000,000 fr. le délai de l'avance de dix-sept à soixante-quatre ans, mais elle obtient par ce fait la prolongation de la Concession de l'exploitation des chemins de fer Orientaux de trente ans, qui restent à courir à soixante-quatre ans, sans aucune indemnité quelconque.

La somme de 7,000,000 fr. que cette opération rapporte au Trésor, placée au taux d'intérêt composé de 4 pour cent l'an, produira au bout de soixante-quatre ans, la somme de 86,145,000 fr.

L'annuité de 1,740,000 fr. que le Trésor sera obligé de payer pendant quarante-sept ans, en sus, s'élèverait avec le même taux d'intérêt à 240,000,000 fr. en chiffres ronds, soit une différence de 154,000,000 fr., ou £ T. 6,775,000, sans compter la perte que l'État subirait par la prolongation de la Concession de la Compagnie d'Exploitation des Chemins de Fer Orientaux.

	Fr.
Les recettes brutes moyennes de cette ligne, d'une longueur de 1,170 kilom., sont de	11,500
Moins frais d'exploitation	4,500
	7,000
Redevance à payer au Trésor Ottoman	1,500
Bénéfice net, par an et par kilomètre	5,500

Ce qui donne pour le réseau entier 6,435,000 fr. par an de bénéfice net.

La prolongation de la Concession ayant été portée de trente ans, qu'il reste à courir, à soixante-quatre ans, cette prolongation occasionne au Trésor Ottoman une perte annuelle de 6,435,000 fr., soit £ T. 293,140.

Cette somme annuelle placée au taux de 4 pour cent à partir de la 31e année, date à laquelle la Concession devait faire retour à l'État, produirait de la 31e à la 64e année, terme de la Concession et de l'exploitation, et de l'extinction de l'emprunt, produirait £ T. 21,297,271. En ajoutant à cette somme £ T. 6,776,000 on trouve le chiffre colossal de £ T. 28,000,000, en chiffres ronds, que le Trésor Ottoman perd, pour toucher aujourd'hui une somme insignifiante de £ T. 308,000.

Les chiffres mentionnés ci-haut étant suffisamment éloquents par eux-mêmes, nous nous abstiendrons de faire d'autres commentaires; toutefois, de crainte qu'on ne nous objecte que c'est grâce à la nature de la garantie des Emprunts Tributaires que cette conversion a été conclue dans des conditions aussi favorables, nous ajouterons que la garantie de la conversion des Chemins Orientaux, est si non meilleure, tout au moins aussi bonne que celle des Emprunts Tributaires, par la raison que cette garantie qui est une subvention à payer au Trésor, par la Société même, se trouve entre les mains des contractants.

No. 4.

Sir P. Currie to the Earl of Kimberley.—(*Received May* 25.)

(No. 249. Confidential.)

Constantinople, May 21, 1894.

My Lord,

I INCLOSE, for your Lordship's information, a statement of the Turkish revenue of the past year which has been supplied to me from a private source, and which I believe to be reliable.

I have not been able to obtain any statement of the expenditure for the same period, but I am told that there was a deficit of £ T. 2,000,000.

I have, &c.
(Signed) PHILIP CURRIE.

Inclosure in No. 4.

(Private and Confidential.)

AUTHENTIC and correct Statement of the Revenue of the Turkish Administration (from official documents).

	Liras.
Tithes—On produce	4,200,000
Land tax—In the Provinces	2,265,000
In the Capital	260,000
Customs	2,000,000
Sheep tax, cattle and hogs	1,850,000
"Temmettieh" (a species of income tax)	875,000
Exemption from military service	850,000
Posts and Telegraph Department	350,000
Mines and Forests	300,000
Registration Office ("Defterhane") (transfer of property, &c.) ..	240,000
Ministry of Justice	230,000
" Marine	120,000
" Interior	110,000
" Foreign Affairs	33,000
" Police and Gendarmerie	37,500
" Commerce	5,000
" Topkhanieh	17,500
Revenue from Domanial property	50,000
Heraclia Coal Mines	40,000
Sundry indirect taxes	81,286
Mount Athos Tribute	724
Total	13,915,010

No. 5.

Lord Cromer to the Earl of Kimberley.—(Received May 26.)

(No. 70.)
(Telegraphic.) P. *Cairo, May 26, 1894.*

THE issue of a Decree relating to the conversion of one of the tribute loans has given rise to some difficulties between the Porte and the Egyptian Government. Messrs. Rothschild would be able to explain the details of the question, which are too lengthy to telegraph.

In order to carry on the negotiations, the Egyptian Government now propose to send Mahmoud Pasha Choucry, one of the Khedive's household, together with Sir Elwin Palmer, to Constantinople. The Financial Adviser considers that his presence would be serviceable, and telegraphs from Alexandria to ask if I approve of his going. I have told him that, as far as I am concerned, I have no objection, but that it is impossible for me to reply positively until I have referred the matter to your Lordship. If he goes, he should leave on Wednesday. I should be glad if I could be favoured with an early reply.

I have repeated this telegram to Her Majesty's Ambassador at Constantinople.

No. 6.

Sir P. Currie to the Earl of Kimberley.—(Received May 27.)

(No. 66.)
(Telegraphic.) P. *Constantinople, May 27, 1894, 2·30 P.M.*

WITH reference to telegram No. 70 from Lord Cromer, no definite demand has, I understand, been made here by the Egyptian Government in the matter of the declaration as to the conversion and as to the equivalent they ask in return. But the

Porte believe that the conclusion of the commercial arrangement proposed some three years ago is what they want.

Yesterday, the Egyptian Government were ordered by telegraph to issue the declaration, and were informed that there was no connection between the two questions.

No. 7.

The Earl of Kimberley to Lord Cromer.

(No. 31.)
(Telegraphic.) P. *Foreign Office, May 28, 1894.*

I HAVE consulted Lord Rothschild, as suggested in your telegram No. 70 of the 26th instant, and after considering the matter my advice to the Egyptian Government is to accede to the Porte's request by issuing without delay the Decree for the conversion of the Tribute Loans.

If this course is followed, I understand from Messrs. Rothschild that they will do their best at Constantinople to obtain the compliance of the Porte with the wishes of the Egyptian Government.

The influence of Her Majesty's Ambassador will be exerted to the same end.

As to obtaining at once the commercial and "raftieh" arrangements, and the Porte's consent to the increase of capital required for the conversion of the Unified Debt, Lord Rothschild does not think it will be possible.

He considers it would not be desirable for Sir E. Palmer to go to Constantinople, and Her Majesty's Government are opposed to it.

No. 8.

The Earl of Kimberley to Sir P. Currie.

(No. 35.)
(Telegraphic.) P. *Foreign Office, May 28, 1894.*

I HAVE informed you by my preceding telegram of the reply sent to Her Majesty's Agent and Consul-General in Egypt relative to the proposed conversion of the Egyptian Tribute Loans, which formed the subject of your telegram No. 66 of yesterday.

You should inform the Porte that we are advising the Egyptian Government to comply at once with their wishes, and that we trust that the Porte will, in return, show a conciliatory disposition in regard to the Egyptian proposals.

No. 9.

Lord Cromer to the Earl of Kimberley.—(Received June 4.)

(Telegraphic.) *Cairo, June 4, 1894.*

GOVERNMENT Decree relative to Ottoman Conversion Loan was issued yesterday.

No. 10.

Sir P. Currie to the Earl of Kimberley.—(Received June 4.)

(No. 266.)
Constantinople, May 30, 1894.

My Lord,

I CALLED yesterday at the Porte and informed the Grand Vizier and Saïd Pasha that your Lordship had advised the Egyptian Government to issue at once, and unconditionally, the Decree required to give effect to the conversion of the Tribute Loans.

I added that Her Majesty's Government hoped that the Turkish Government would give their favourable consideration to the wishes of the Egyptian Government in regard to the Raftieh arrangement.

The Ministers expressed their gratitude for the action of Her Majesty's Government, which they said would be communicated at once to the Sultan.

They also expressed their readiness to discuss the Raftieh question with the Egyptian Government.

I have, &c.
(Signed) PHILIP CURRIE.

No. 11.

Lord Cromer to the Earl of Kimberley.—(Received June 18.)

(No. 83.)
Cairo, June 3, 1894.

My Lord,

I HAVE the honour to transmit to your Lordship herewith, extracted from the Egyptian "Journal Officiel," a copy of a Khedivial Decree providing for the new 3½ per Cent. Ottoman Loan.

I have, &c.
(Signed) CROMER.

Inclosure in No. 11.

Extract from the Egyptian "Journal Officiel" of June 2, 1894.

Décret.

NOUS, Khédive d'Égypte,

Informé par la Sublime Porte de la conclusion par Contrat en date du 4 (16) Mai, 1894, entre le Gouvernement de Sa Majesté Impériale le Sultan et MM. N. M. Rothschild and Sons de Londres, MM. de Rothschild Frères de Paris, et la Banque Impériale Ottomane, d'un emprunt, sous le titre d'Emprunt Ottoman 3½ pour Cent, sur le tribut d'Égypte, destiné à pourvoir au remboursement de titres encore en circulation des Emprunts 5 pour Cent de 1854 et 4½ pour Cent de 1871, et nous conformant à l'Ordre Impérial en date du 9 Zilcadeh, 1311 (2 Mai, 1310/1894), déclarons par les présentes nous engager, pour nous-mêmes et nos successeurs, envers MM. N. M. Rothschild and Sons, qui nous ont été désignés par le susdit Ordre Impérial, à payer entre les mains de la Banque d'Angleterre à Londres, pour être affectée au service du nouvel Emprunt 3½ pour Cent, la somme de 329,249*l.* 6*s.* 1*d.*, qui était précédemment affectée au service des Emprunts 1854 et 1871, et qui se trouve dégagée de cette affectation par l'effet du remboursement des dits Emprunts tel qu'il résulte du Contrat ci-dessus indiqué.

En conséquence, le Gouvernement Égyptien continuera à payer annuellement pendant soixante et un ans, soit jusqu'au 15 Octobre, 1955—c'est-à-dire, jusqu'à l'extinction de l'Emprunt Nouveau 3½ pour Cent susmentionné—la somme irréductible de 329,249*l.* 6*s.* 1*d.* à la Banque d'Angleterre à Londres, pour être tenue par elle à la disposition de la maison à laquelle sera confié le service du dit emprunt. Cette somme

sera prélevée sur le tribut d'Égypte que nous et nos successeurs devons et devrons au Gouvernement Impérial Ottoman.

La somme susdite sera payée, en or, aux échéances indiquées dans le Tableau ci-dessous.

Le Ministre des Finances est chargé de l'exécution du présent Décret.

Fait au Palais de Ras-el-Tine, le 30 Mai, 1894.

(Signé) ABBAS HILMI.

Par le Khédive :
Le Président du Conseil des Ministres,
(Signé) N. NUBAR.

Le Ministre des Finances.
(Signé) AHMED MAZLOUM.

TABLEAU des Paiements.

Dates.						Sommes.		
						£	*s.*	*d.*
16 Août	de chaque année		..	..	..	11,979	0	10
30 Août	,,	,,	..	..	..	14,100	0	0
13 Septembre	,,	,,	..	..	..	14,100	0	0
27 Septembre	,,	,,	..	..	..	14,100	0	0
7 Octobre	,,	,,	..	..	..	114,868	17	3
25 Octobre	,,	,,	..	..	..	14,100	0	0
15 Novembre	,,	,,	..	..	..	14,100	0	0
30 Novembre	,,	,,	..	..	..	14,100	0	0
10 Janvier	,,	,,	..	..	..	2,932	10	9
6 Avril	,,	,,	..	..	..	114,868	17	3
						329,249	6	1

No. 12.

Colonial Office to Foreign Office.—(Received July 28.)

Downing Street, July 27, 1894.

Sir,

I AM directed by the Marquis of Ripon to transmit to you, to be laid before the Earl of Kimberley, copies of letters from Mr. A. D. Provand, M.P., respecting the conversion of the Cyprus tribute, together with one from the Lords Commissioners of the Treasury, to whom the question was referred.

Lord Ripon desires to record his opinion that if it should be in Lord Kimberley's power to entertain any such suggestion as is here proposed it would be a great boon to the island, and Lord Ripon would be very glad to see it carried through.

I am, &c.
(Signed) EDWARD FAIRFIELD.

Inclosure 1 in No. 12.

Mr. Provand, M.P., to Mr. Buxton, M.P.

2, Whitehall Court, Westminster, May 9, 1894.

Dear Mr. Buxton,

Cyprus Tribute.—As the Turkish Government are at present converting the loans of 1854 and 1871 at a lower rate of interest, this should provide our Government with the opportunity of doing something in reference to the 1855 Loan for which we appear to have assumed a responsibility in excess of that originally intended, and if anything could be done to lessen this liability for that loan, however slight, it would be a relief to Cyprus and also to our own Treasury.

By a Treaty made in 1841, 3,000,000 piastres, equalling 282,000*l.*, was payable as Tribute by the Pasha of Egypt to the Porte. In 1866 this amount was raised to about 682,000*l.*, at which it stands at present.

Loans.

The following are the loans which are secured wholly or in part on this Egyptian tribute, which is applied as below:—

Year.	Original Amount of Issue.	Amount now Outstanding.	Rate of Interest.	Appropriation of Tribute.
	£	£		£ s. d.
1854	3,000,000	1,567,750	5 per cent.	99,511 11 7
1855	5,000,000	1,317,500	4 ,,	71,980 0 0
1871	5,700,000	5,378,700	4½ ,,	229,757 14 6
				401,249 6 1
1877	5,000,000	..	..	280,622 18 4
				681,872 4 5
N.B.—The above loan of 1877 was converted in 1891 by a new loan as below, and the 280,622*l.* 18*s.* 4*d.* was set aside for special application to this loan.				
1894	6,315,920	6,275,920	4 per cent.	280,622 18 4
Total amount of loans outstanding	..	14,539,870	..	..

It will be seen from the above Table that the tribute is more than sufficient to pay the annual interest upon the whole of the loans, and this interest will be reduced shortly by the conversion of the 1854 and 1871 Loans to a lower rate than is paid at present.

Conversions of the loans have been made by the Turkish Government, but none of them have interfered with that of 1855, and as there is only the Loan of 1854 preceding it which has any claim on the original 282,000*l.* of the Egyptian tribute after this claim was met, the whole of the balance should be available for the 1855 Loan, and as the undrawn balance of the 1854 Loan only now amounts to 1,567,750*l.*, interest upon which at 5 per cent. would be 78,387*l.*, and ½ per cent. sinking fund 7,838*l.*, together making 86,225*l.*, therefore all that remains, namely, 195,775*l.*, should be available for the service of the 1855 Loan. The recently advertised conversion of the 1854 and 1871 Loans will reduce the interest on the 1854 Loan, and make the available balance larger than 195,775*l.* by about 15,677*l.*

The 1855 Loan.

1. The loan was for 5,000,000*l.* at 4 per cent., 200,000*l.*, and 1 per cent. sinking fund 50,000*l.*, together 250,000*l.*, and secured on the whole revenues of the Turkish Empire, also on the customs of Smyrna and Syria, and specially on the surplus of the Egyptian tribute remaining after the interest was paid on the 1854 Loan of 3,000,000*l.* at (since 1877) 5 per cent., say, 150,000*l.*, and ½ per cent. sinking fund 30,000*l.*, together 180,000*l.* As the Egyptian tribute was then, say, 282,000*l.*, this left 102,000*l.* specially hypothecated to this loan. *The British and French Governments guaranteed the interest only.*

2. There were to be annual drawings in May in each year, commencing 1859 and ending in 1900, when the loan will expire, and the 1 per cent. sinking fund and the interest on all drawn bonds was to be applied to the payment of the drawn bonds.

3. The interest on the drawn certificates ceased, and became payable with the principal at the Bank of England on the 1st August succeeding the May in which they were drawn; nevertheless, no sinking fund has been provided since 1876, but the drawings have been regularly continued, *and the interest paid on the drawn as well as on the undrawn bonds.*

4. From 1859 to 1876 interest and sinking fund, amounting to 250,000*l.* per annum, was provided by the Porte, during which years 1,184,800*l.* were drawn and paid off.

5. In 1876 the Turkish Government defaulted, but from 1877 to 1879 the interest was still paid, I cannot ascertain by whom.

6. Between 1876 and 1893 there was 2,497,700*l.* drawn, which, with 1,184,800*l.* previously drawn and paid off, makes altogether 3,682,500*l.*, leaving the undrawn balance 1,317,500*l.*

7. I am informed that, from 1880 to 1894, 78,000*l.* was annually provided from the Cyprus tribute and 71,980*l.* from the Egyptian tribute, making altogether 149,980*l.* I am unable to trace any further sums applied to make up the total of 200,000*l.*

The foregoing shows that the original responsibility assumed by the British Government in 1855 was that, jointly with France, they guaranteed that if Turkey defaulted they would provide 200,000*l.* a-year for interest on undrawn bonds and sinking fund. They did not undertake any liability whatever for payment of the principal. The position of the British Government has apparently been altered, inasmuch as they have paid interest on drawn bonds, and led the holders of these to consider that they are liable for the principal.

A number of questions arise out of the foregoing statements:—

1. Has the British Government assumed any new responsibility beyond what they originally undertook, or can they still revert to their original position; if not, what is the present measure of their liability to the bondholders?

2. Where did the interest come from which was paid between the years 1877 and 1879?

3. While Cyprus has to pay annually (if able) 92,800*l.*, my information is that only 78,000*l.* of this sum is applied towards the service of the loan. On the other hand, we have made grants in aid to Cyprus. Was the difference between 92,800*l.* and 78,000*l.* kept back to meet these? If not, for what reason was this done, and how does the account stand now as between Cyprus and our Government?

4. Why has the British Government paid the interest, and not insisted upon Turkey providing both interest and sinking fund out of the tribute and securities expressly hypothecated to those who lent the money in 1855, the terms of which are printed on every bond?

5. The bondholders apparently consider our Government liable for the principal as well as the interest, as the price of the bonds to-day is 110, and they are "a good delivery" on the Stock Exchange.

If our Government is liable for the principal, why does the French Government not share the responsibility? Have we assumed this extra liability apart from France? In the original Contract with the bondholders France and Great Britain jointly guarantee the interest, and nothing more. What is the position of France now?

6. The British Government has either assumed the responsibility for the principal (*a*) alone, (*b*) jointly with the French Government, or (*c*) not at all. If they have in any way made themselves liable, what will they do in the year 1900, when the whole of the loan will have been drawn and should be paid off?

7. It says on the bonds, and also on the prospectus under which they were issued, that interest is to cease on the 1st August on all bonds drawn in the previous May. Why, therefore, has the British Government continued paying the interest on drawn bonds since the year 1880? Why have they not applied the Cyprus tribute (*a*) to the payment of interest on undrawn bonds alone, and (*b*) to the sinking fund for any balance remaining over?

8. As the British Government pays the bondholders their interest regularly, they may have relieved them of their duty to compel the Porte to apply to the service of the loan the tribute and other securities originally hypothecated. The position taken up by the British Government may also have relieved the bondholders from their duty to demand that the drawn bonds should be paid off. The reliance of the bondholders on the security of the British Government for the capital is shown by the fact, that if they demanded to be paid off they would only receive the par value, say, 100, whereas the market price is 110. It appears as if the British Government by their conduct has assumed and relieved the bondholders from their responsibility to protect their own interests.

9. While Turkey has reduced or will reduce the interest on all the other loans, and has applied to their service part of the tribute expressly hypothecated to the 1855 Loan, is the position of the British Government and of Cyprus in reference to this loan to continue for ever? Is there to be no amelioration in any way?

10. As Turkey is now arranging a further conversion of the 1854 and 1871

Loans, is the British Government idly standing by, or are they protecting their own interests by taking care that Turkey shall not further apply to the loans the Egyptian tribute or other securities expressly hypothecated to the 1855 Loan?

11. If our Government has made us liable for principal and interest, why should the loan not be converted to 3 per cent.? In fact, if our taxpayers have to meet the principal, the rate of interest should not be higher than Consols.

I am, &c.

(Signed) A. D. PROVAND.

Inclosure 2 in No. 12.

1855 LOAN.

Conditions of Issue copied from one of the Bonds, dated August 20, 1855.

INTEREST at the rate of 4 per cent. per annum on the said sum of 5,000,000*l.* on the 1st February and the 1st August in every year, in London, at the Bank of England, the first payment to be made on the 1st February, 1856.

2. A sum equal to 1 per cent. on the said sum of 5,000,000*l.*, together with a sum equal to one year's interest on so much of the said loan as shall have been redeemed, shall be employed annually on the 1st August in each year, commencing on the 1st August, 1859, either in the purchase of certificates of the loan in the public market, or at the option of the Imperial Ottoman Government in paying off at par such certificates as shall be ascertained by lot, to be drawn in London in the presence of the Representative of His Imperial Majesty at London and the Chief Cashier and Chief Accountant of the Bank of England, at some time in the month of May in each year. The numbers of the certificates drawn shall be advertised in three of the chief journals published in London and Paris at least two months before the time fixed for the redemption thereof; the principal of such certificates, with the interest due, shall be payable at the Bank of England in London on the 1st day of August next following such drawing. All certificates so drawn shall cease to bear interest from the time fixed for redemption thereof, and if not presented within twelve months thereafter such certificates, with the outstanding interest thereon up to the said 1st August, will only be paid on the written order of His Imperial Majesty's Representative at London.

3. The Imperial Ottoman Government reserve to themselves the power of redeeming the whole loan at par on the expiration of twenty years from the time when the application of the sinking fund shall commence, or at any time thereafter, on giving six months' notice by advertisement in the journals of London and Paris.

4. Certificates shall be issued for the said loan reciting these presents to which the signet of His Imperial Majesty's Representative in London shall be attached, countersigned by the principal Secretary of the Embassy, bearing coupons for half-yearly payments of interest thereon attached. In case any certificate shall remain undischarged after all the coupons attached thereto are exhausted, His Imperial Majesty's Government shall deposit with the Bank of England additional coupons through His Imperial Majesty's Representative at London, in order that such coupons may be delivered to the holders of such bonds, and so from time to time.

Dated this 20th day of August, 1855.

(Signed) .....

P.S.—There were ninety coupons attached to each bond, the last coupon being payable at the Bank of England on the 1st August, 1900.

Inclosure 3 in No. 12.

1855 LOAN.

Convention relative to Guarantee of Interest. Copied from one of the Bonds of the 1855 Loan, dated August 20, 1855.

HER Majesty the Queen of the United Kingdom of Great Britain and Ireland undertakes to recommend to her Parliament to enable her to guarantee jointly with

His Majesty the Emperor of the French, and severally, and His Majesty the Emperor of the French engages, subject to the ratification of the Legislative Body of France, to guarantee, conjointly with Her Britannic Majesty, the interest of a loan of 5,000,000*l.*, to be raised by his Imperial Majesty the Sultan.

2. The interest payable on the said loan of 5,000,000*l.* shall be at the rate of 4 per cent. per annum.

There shall, moreover, be paid by the Sublime Porte the further rate of 1 per cent. per annum on the whole capital of 5,000,000*l.* by way of sinking fund.

3. The interest and sinking fund of the said loan shall form a charge on the whole revenues of the Ottoman Empire, and especially on the annual amount of the tribute of Egypt which remains over and above the part thereof appropriated to the first loan, and, moreover, on the customs of Smyrna and Syria.

His Imperial Majesty the Sultan engages that he will cause to be remitted to the Bank of England, on or before the 25th June and the 25th December in each year, the full amount of one half-year's interest and sinking fund on the whole amount of the said loan to be raised on the conjoint guarantee of Her Britannic Majesty and of His Majesty the Emperor of the French, or on so much thereof as may be raised until the whole capital borrowed shall be repaid.

Inclosure 4 in No. 12.

Copied from the Prospectus of the 1855 *Loan.*

AFTER setting forth that the interest is guaranteed by England and France the wording runs:—

1. In addition to the interest of 4 per cent., a sinking fund of 1 per cent. per annum, together with the interest on so much of the loan as shall, from time to time, be redeemed, will be applied in redemption of the capital.

The loan is secured on the whole revenues of the Turkish Empire, and especially on the surplus of the Egytian tribute over and above the interest on the loan of 3,000,000*l.* issued on the 24th August, 1854, and, moreover, on the customs of Smyrna and Syria.

The sinking fund will be applied from year to year, commencing on the 1st August, 1859, either in the purchase of certificates of the loan in the public market, or, at the option of the Ottoman Government, in paying off at par such certificates as shall be drawn by lot in the presence of the Chief Cashier of the Bank of England, on some one day in the month of May in each year, and public notice of the numbers of the certificates so drawn will be given in the "London Gazette" and in some newspapers circulating in London and Paris. The interest on the certificates so drawn, together with the capital, will be payable on the 18th August next following such drawing, after which day all interest on the certificates so drawn will cease altogether.

Inclosure 5 in No. 12.

Treasury to Mr. Buxton, M.P.

Treasury Chambers, July 14, 1894.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to advert to the letter which was forwarded to this Board on the 2nd ultimo from Mr. A. D. Provand, M.P., on the subject of the Cyprus tribute money and the Turkish Guaranteed Loan of 1855, to the service of which that money is applied.

Since the receipt of that letter, I have, at their Lordships' wish, had an interview with Mr. Provand, and I endeavoured to explain the position of the question on which he wrote at length to you on the 9th May last.

My Lords think that the Secretary of State for the Colonies will wish to know in general terms what took place at that interview; and they accordingly desire me to make some record of it for the information of the Marquis of Ripon.

Mr. Provand seemed to be under some misapprehension as to the liability of Her Majesty's Government in respect to the Turkish Guaranteed Loan; and so I did what I could, in the first place, to remove this misapprehension.

I pointed out that the principal provisions of the Convention between Great Britain, France, and Turkey, which was signed on the 27th June, 1855, and which was ratified by the Act 19 & 20 Vict., cap. 99, were: (1) That the interest on the loan of 5,000,000*l.* at the rate of 4 per cent. per annum, and a sinking fund at 1 per cent. per annum, were to "form a charge on the whole revenues of the Ottoman Empire, and especially on the annual amount of the tribute of Egypt, which remains over and above the part thereof appropriated to the first loan, and, moreover, on the customs of Smyna and Syria;" and (2) that Great Britain and France jointly guaranteed the interest on the loan, in the event of there being a failure on the part of the Porte to provide the necessary funds for the payment of interest.

I told Mr. Provand that the amount outstanding of the loan was, and has since 1875 been, 3,815,200*l.*, and that, accordingly, the present joint liability of the British and French Governments consisted of guaranteeing the interest at 4 per cent. per annum on that sum.

The present charge in respect of the outstanding loan being—

	£
1. Interest	152,608
2. Management expenses	2,288
Total	154,896

I then explained to him how the charge was met, namely:—

	£
1. By the amount of the Egyptian tribute, which in 1855 was unappropriated to the Turkish Loan of 1854, and which is understood to be unaffected by the recent conversion of that loan, viz.	72,000
2. By the Cyprus tribute, which forms part of "the whole revenues of the Ottoman Empire," and which, owing to the administration of the Island of Cyprus by Her Majesty's Government in accordance with the Anglo-Turkish Convention of 1878, has been directed to be paid to this country at the Bank of England, viz. (about)	92,000
	164,000
The charge in respect of interest and management being (about)	155,000
There was a balance of	9,000

which has been detained (under legal advice) in default of the payment of any part of the prescribed sinking fund of 1 per cent. per annum, and which was now invested for paying off in due course drawn bonds. Had there been no Turkish funds on which lien could be placed by the British Government, it is probable that the French and British Governments would have had themselves to provide a part of the interest on the Guaranteed Loan ever since the default of the Porte.

Mr. Provand appeared to admit that Her Majesty's Government, in pursuing the course which they did, were merely discharging, in the best manner open to them, the responsibilities which they incurred nearly forty years ago in connection with the Turkish Guaranteed Loan.

What, however, he advocated was that steps should be taken to turn the credit of this country to better account, in some such way as this, namely, by raising a British loan of 3,815,200*l.* at 2¾ per cent. interest, by assigning the portion of the Egyptian tribute now appropriated to the service of the Guaranteed Loan and the Cyprus tribute to the service of this new loan, by handing over the proceeds of it to the Porte, and by paying off with those proceeds the holders of the guaranteed bonds. He hoped that in an arrangement of this kind, whereby a considerable saving would be effected on account of interest, some relief in respect of the tribute might be afforded to the Island of Cyprus, in which he is specially interested.

My Lords need not now refer to similar suggestions which have been made before, some emanating from the Treasury and others from the Colonial Office.

Their Lordships' predecessors have on many occasions advocated the adoption of some steps which would remedy the present unsatisfactory state of things, and admit of the establishment of a more operative sinking fund, in order that the liability of this country in respect of the Guaranteed Loan may not be a perpetual liability; and it is probable that the present Board would view with equal favour any steps in that direction. But my Lords are aware that the question is by no means free from difficulty, that it might, and probably would, raise many points of delicacy and importance with the Porte and with France, and that on this ground more than one Foreign Secretary has been deterred from moving in the matter.

I hinted to Mr. Provand that difficulties of a diplomatic and international character might arise in connection with any such scheme as he advocated, and Mr. Provand was apparently inclined to appreciate them. But it seems not unlikely that he will approach the Foreign Office on the subject, as he recognized that it was the Foreign Secretary with whom the initiative of taking any further step must rest.

I am, &c.
(Signed) E. W. HAMILTON.

No. 13.

Colonial Office to Foreign Office.—(Received August 4.)

Sir, *Downing Street, August 3, 1894.*

WITH reference to the letter from the Foreign Office of the 3rd June, 1893, I am directed by the Marquis of Ripon to transmit to you, to be laid before the Earl of Kimberley, a copy of the correspondence regarding the raising of salt by the Cyprus Government, to be handed over on payment to the Turkish Administration of Indirect Contributions.

It will be observed that the action of this latter body in procuring the raising of a large amount of salt which they subsequently failed to remove, has been the cause of some considerable expense and inconvenience to the Cyprus Government, and though Lord Ripon does not wish that the Turkish Government should at present be pressed to make compensation for the loss, he concurs in the opinion expressed by the Lords Commissioners of the Treasury that the Turkish Government should be informed of the instructions sent to the High Commissioner in the despatch, a copy of which forms the last inclosure to this letter, and he would suggest that it should be intimated to the Turkish Government that similar action on the part of the Administration in future will be met by a claim for compensation, and by a refusal to comply with their requisitions for salt until it is paid.

I am, &c.
(Signed) EDWARD WINGFIELD.

Inclosure 1 in No. 13.

Sir W. Sendall to the Marquis of Ripon.

My Lord, *Government House, Nicosia, March 5, 1894.*

WITH reference to your Lordship's despatch of the 26th October last on the subject of the collection of salt for payment to the Turkish Government, I have the honour to report, as advised in your Lordship's despatch of the 18th August last, Mr. Charnaud has visited Cyprus.

2. After inspecting the salt at Larnaca he wrote a letter, a copy of which I inclose, in which he proposes that the Cyprus Government should keep the salt already collected, and use it for consumption in the island, and that, as regards the future, a Return should be sent in to the Turkish Government showing the operations of the Government at the Salt Lake.

3. These proposals were, however, subject to the approval of the Ottoman Government.

4. To this I caused a reply to be sent, of which a copy is inclosed, by which Mr. Charnaud was informed that I would communicate with Her Majesty's Government on his proposals, and it was pointed out to him that the Government had had to incur some considerable expense in complying with the request of the Turkish Government for the collection of salt.

5. As at present advised, I see no great objection to taking over the salt collected and using it gradually for consumption in the island, but it will not be a remunerative transaction for the island.

6. During last year we collected sufficient salt for a year's consumption in the island, at a cost of about 11 piastres the 1,000 okes by convict labour, while collection by free labour for the Turkish Government was about 22 piastres the 1,000 okes. However, as I have said, I see no great objection to taking over the salt already collected, but what we desire to avoid is the future interference of the Turkish Government with the salt of the island.

7. It might happen that a remunerative foreign market might be found for it, and it would then be open to the Turkish Government to step in and claim its salt revenue and appropriate our market; or we might constantly receive applications from the Turkish Government for the collection of the salt, and it might as often decline to take delivery of it, or pay for the cost of its collection.

8. The Turkish Government should, I think, be induced to say that it will take its salt regularly year by year, and pay for the cost of collection, or it should renounce its claims to any portion of the salt.

I have, &c.
(Signed) WALTER J. SENDALL,
High Commissioner.

Inclosure 2 in No. 13.

Mr. Charnaud to the Chief Secretary to Government, Nicosia.

Sir, *Imperial Ottoman Bank, Nicosia, February 22, 1894.*

I HAVE the honour to inform you that I find, after careful investigation, that the expense for removal of the salt collected at Larnaca for account of the Ottoman Government will be very heavy, and also that the quality, in appearance, is inferior to that of the salt supplied to our depôts on the coast. On the other hand, the destruction of the 5,208 tons now in stock is not to be entertained.

Under these circumstances, I think the most satisfactory settlement of this question would be that the Cyprus Government consent to hold over the present stock for the future supply of the island.

Should this suggestion meet with his Excellency's approval, I will submit it to our Administration, and it will no doubt lead to an agreement between the two Governments.

With regard to a settlement for future years, I believe it will be amply sufficient that a yearly official Return of the operations of the saline be handed over to the Ottoman Government.

Being anxious to make my Report very clear as to the operations of the saline during past years, I should feel much obliged, if possible, by your furnishing me with the official Returns of the quantities of salt produced and sold during the past few years.

In conclusion, it is understood that, should the Ottoman Government, after my Report has been submitted, be still desirous that the salt now in stock for its accounts be removed, an agent of the Administration will be sent over to receive and ship it.

The favour of an early reply will oblige, as I propose leaving Cyprus by the next Austrian mail.

I have, &c.
(Signed) EDWIN CHARNAUD.

Inclosure 3 in No. 13.

The Chief Secretary to Government, Nicosia, to Mr. Charnaud.

Sir, *Chief Secretary's Office, Nicosia, February 23, 1894.*

I AM directed by the High Commissioner to acknowledge the receipt of your letter of the 22nd instant on the subject of the salt which has been collected by this Government on account of the Turkish Government.

2. Your suggestion that the Cyprus Government should take over the salt collected for the Turkish Government for the future supply of the island will receive consideration, but the question is one upon which his Excellency will communicate with Her Majesty's Government before coming to a decision.

3. I am to point out that, in order to collect this large quantity of salt within the time required by the Ottoman Government, the Cyprus Government has incurred an expenditure of over 500*l.*; the cost of collection within a limited time having been

much larger than would be necessary for collecting year by year the salt required for consumption in the island.

4. If your suggestion were accepted, the Government would be a loser of a considerable sum of money, and it would in any year be open to the Turkish Government to again demand that the salt should be collected, and again decline to take it over, and so subject the Cyprus Government to further loss.

5. Presuming that the points touched on above were settled, his Excellency does not anticipate that there would be any objection to forwarding annually a Return of the operations of the saline.

6. The following is a statement of the salt collected and sold since 1888-89:—

	Collected.	Sold.
	Okes.	Okes.
1888–89	561,900	906,703
1889–90	966,755	908,510
1890–91	901,152	932,328
1891–92	Nil.	1,082,827
1892–93	1,350,000	876,361

7. I am to add that should the Ottoman Government desire to take over the salt now collected, there will be charges for guarding the salt up to that date in addition to the expenses that have already been incurred.

I am, &c.
(For Chief Secretary),
(Signed) W. H. BENNETT.

Inclosure 4 in No. 13.

The Marquis of Ripon to Sir W. Sendall.

(Telegraphic.) *Downing Street, May 21, 1894, 12·20 P.M.*

REFERRING to your despatch of 5th March, presume that was not taken away before 13th March.

Inclosure 5 in No. 13.

Sir W. Sendall to the Marquis of Ripon.

(Telegraphic.) (*Received May 22, 1894, 1·55 P.M.*)

REFERRING to your telegram of 21st May, none yet taken away.

Inclosure 6 in No. 13.

Colonial Office to Treasury.

Sir, *Downing Street, July 17, 1894.*

WITH reference to the correspondence noted in the margin* relative to the cost of raising salt in Cyprus to be handed over on payment to the Turkish Administration of Indirect Contributions, I am directed by the Marquis of Ripon to transmit to you, to be laid before the Lords Commissioners of the Treasury, the inclosed copy of a despatch from Sir Walter Sendall, and of telegrams which have passed between him and the Secretary of State.†

It will be remembered that it was decided to give directions for the raising of this salt during 1893 in consequence of a note from the Turkish Ambassador, dated the 29th May, 1893, a copy of which was communicated to you in the letter from this

* Colonial Office to Treasury, June 29; Treasury to Colonial Office, July 22; Colonial Office to Treasury, October 5; and Treasury to Colonial Office, October 14, 1893.

† Inclosures 1, 4, and 5 in No. 13.

Department of the 29th June, 1893. In that note it was stated that "la dite Administration a décidé de les ('the 5,208 tons of salt') faire transporter par les bateaux desservant la ligne Chypre."

It would appear, however, either that the Turkish Government was misinformed, or that the Administration changed its mind, the result being that the Government of Cyprus finds itself cumbered with about 5,000 tons of salt in excess of its present requirements, which will cost something to guard, and which will be liable to wastage, whilst if the proposal of the Administration is acquiesced in, the Cypress Government will have to submit to an indirect loss of 11 piastres the 1,000 okes, being the difference between the cost of raising salt by free and by prison labour.

That loss comes to a little over 250*l.*, and in strictness the Cyprus Government might ask that the Turkish Government, or the Administration of Indirect Contributions, should make good the loss since the action of the latter body was, to say the least, inconsiderate in requiring a whole year's supply to be raised without having formed any definite opinion as to whether it would be worth taking when raised. It is possible, however, that the Earl of Kimberley might see some objection to taking diplomatic action to press such a trifling claim, and it may be a question whether it would not be more politic to leave the claim open and use its existence as an argument for refusing in future years to comply with similar requisitions, unless the claim is paid or some better guarantee is given that the cost of raising fresh salt will be paid.

In the correspondence, noted in the margin,* Lord Knutsford expressed an opinion that the Turkish Government (and the same reasoning applies to the Administration of Indirect Contributions) could not claim arrears of salt for past years, the claim of the Turkish Government dying with the year in which it accrues, and in the letter from this Office to the Treasury of the 22nd February last (on the Cyprus Estimates), Lord Ripon expressed a somewhat similar opinion, without, however, having had his attention drawn to the earlier correspondence. In these circumstances Lord Ripon thinks that Sir W. Sendall should receive instructions to the effect that no additional salt need be raised on Turkish account this year, but that if the Administration of Indirect Contributions applies for the salt raised last year, and is prepared to pay for the cost incurred in raising it (about 50*l.*) and the cost of guarding it, it may be allowed to take it away, but that the Cyprus Government is not bound to make good any diminution in the bulk due to fair wastage.

On learning their Lordships' views, Lord Ripon will be prepared to bring the correspondence to the knowledge of the Secretary of State for Foreign Affairs, who may perhaps consider that some communication should be made to the Turkish Government.

I am, &c.
(Signed) EDWARD FAIRFIELD.

Inclosure 7 in No. 13.

Treasury to Colonial Office.

Treasury Chambers, July 27, 1894.

Sir,

IN reply to Mr. Fairfield's letter of the 17th instant relative to the cost of raising salt in Cyprus to be handed over on payment to the Turkish Administration of Indirect Contributions, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Marquis of Ripon, that they approve of the terms of the despatch which his Lordship proposes to address to Sir W. Sendall with reference to the salt raised at the request of the Turkish authorities last year but not taken away by them.

My Lords have considered whether it would be well to deduct the amount of the extra expenditure (250*l.*) thrown upon the Cyprus Government by this demand from the surplus Cyprus tribute, as the Synge and Suter ransoms were deducted, or whether it would be politic to prefer a claim upon the Turkish Government directly for the amount, but in all the circumstances of the case, they are disposed to agree with Lord Ripon in thinking that it is better to leave the claim open and use its existence as an argument for refusing in future years to comply with similar requisitions unless the

* Treasury, August 29; and Colonial Office, September 4, 1888.

claim is paid or some better guarantee is given that the cost of raising fresh salt will be paid.

My Lords concur in Lord Ripon's proposal to bring the correspondence to the knowledge of the Secretary of State for Foreign Affairs. It might be well that the Turkish Government should at all events be apprised of the instructions given to Sir W. Sendall.

I am, &c.
(Signed) FRANCIS MOWATT.

Inclosure 8 in No. 13.

The Marquis of Ripon to Sir W. Sendall.

Downing Street, August 3, 1894.

Sir,

WITH reference to your despatch of the 5th March, and to the telegraphic correspondence regarding the raising of salt by the Cyprus Government to be handed over to the Turkish Administration of Indirect Contributions, I have the honour to transmit to you, for your information and guidance, a copy of correspondence which has passed between this Department and the Treasury on the subject, and to inform you that, in the opinion of Her Majesty's Government, there is no obligation on the part of the Cyprus Government to raise any additional salt on Turkish account this year. If, however, the Administration of Indirect Contributions applies for the salt raised last year, and is prepared to pay for the cost incurred in raising it, and for the cost of guarding it, the Administration may remove it, but only on the understanding that the Cyprus Government is not bound to make good any diminution in the bulk due to fair wastage.

I also transmit, for your information, a copy of a letter which I have caused to be addressed to the Foreign Office on the subject.

I have, &c.
(Signed) RIPON.

No. 14

The Earl of Kimberley to Morel Bey.

Foreign Office, August 15, 1894.

Sir,

I HAVE the honour to refer you to Lord Rosebery's note of the 5th June of last year to the Turkish Ambassador, stating that the British authorities in Cyprus would be instructed to assist the Turkish Government in recovering the salt tribute due to the Sultan from that island.

I am informed by the Secretary of State for the Colonies that the salt for the past year was accordingly collected at some expense by the Cyprus authorities, who have been put to considerable inconvenience by the refusal of the Turkish Administration of Indirect Contributions to remove it from Larnaca.

In view of this proceeding the High Commissioner has been informed that, in the opinion of Her Majesty's Government, there is no obligation on the Cyprus Government to raise any additional salt on the Turkish account this year, but that if the Administration of Indirect Contributions applies for the salt raised last year and is prepared to pay for the cost incurred in collecting and guarding it, no objection will be made to its removal by that body, though no liability will attach to the authorities of the island to make good any diminution due to fair wastage.

Her Majesty's Government have no wish, in present circumstances, to press any claim for compensation against the Turkish Government, but they will be obliged to do so in the interest of Cyprus before they can comply with any future requisition for salt which the Ottoman authorities may put forward.

I have, &c.
(Signed) KIMBERLEY.

No. 15.

Morel Bey to the Earl of Kimberley.—(*Received August* 21.)

Londres, le 20 *Août*, 1894.

M. le Comte,

J'AI l'honneur d'accuser réception de la note de votre Seigneurie du 15 de ce mois, concernant le refus de l'Administration des Contributions Indirectes de Turquie de prendre consignation de la portion du sel provenant de l'Ile de Chypre qui revient au Gouvernement Ottoman.

Je vais m'empresser de communiquer le contenu de la note de votre Seigneurie à la Sublime Porte, afin qu'elle puisse voir quelles mesures il y aurait lieu de prendre à ce sujet.

J'ai, &c.
(Signé) G. MOREL.

No. 16.

Foreign Office to Colonial Office.

Foreign Office, August 23, 1894.

Sir,

THE Earl of Kimberley has had before him your letter of the 27th ultimo forwarding proposals from Mr. A. Provand, M.P., for the conversion of the Cyprus tribute, and expressing the opinion of the Marquis of Ripon that such a measure would greatly benefit the island.

The general purport of the proposal is that the portion of the Turkish 4 per Cent. Guaranteed Loan of 1855, the interest on which is provided by the Cyprus tribute, should be paid off by Her Majesty's Government, who could raise the money for this purpose by a 3 per cent. or 2¾ per cent. loan, and could then make use of the difference between the two rates of interest (*i.e.*, 1 per cent. or 1¼ per cent. on the capital sum) to lighten the taxation of Cyprus.

I am directed by his Lordship to point out that such a proceeding is not likely to commend itself to the Sultan, who is entitled, under the arrangements made with Her Majesty's Government, to claim a certain yearly payment during the tenure of the island by Great Britain. The view of the Turkish Government would naturally be that if Her Majesty's Government desire to reduce the burden of taxation in Cyprus while it is under British rule, they should do so at the expense of the British Exchequer, and that if they require the Sultan's consent to a financial transaction for that purpose, His Majesty has a right to a substantial share in the profits. There are also political reasons which would make the Sultan very unwilling to reopen the Cyprus question, and Lord Kimberley, therefore, does not see how any steps can be taken at present for altering the existing arrangements.

I am, &c.
(Signed) T. H. SANDERSON.

No. 17.

Colonial Office to Foreign Office.—(*Received September* 15.)

Downing Street, September 14, 1894.

Sir,

WITH reference to your letter of the 22nd ultimo, I am directed by the Marquis of Ripon to transmit to you, for the information of the Earl of Kimberley, a copy of the correspondence regarding the disposal of the salt collected last year by the Government of Cyprus for the use of the Turkish Government.

I am, &c.
(Signed) EDWARD FAIRFIELD.

Inclosure 1 in No. 17.

Sir W. Sendall to the Marquis of Ripon.

Government Cottage, Troodos, August 21, 1894.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's despatch of the 3rd instant on the subject of the salt collected for the Turkish Government last year.

2. The salt remains stacked at Larnaca, and I propose to hold it at the disposal of the Administration of the Public Debt until the close of the current year. Should no further proposals for taking over the salt be made before then I propose to use it to meet local demands, and so escape the cost of collection for some time to come. Apart from the salt collected for the Turkish Government, we have sufficient salt for local use for the current year, but if the course I have suggested above is not followed, a further collection by prison labour will then have to be made.

I have, &c.
(Signed) WALTER J. SENDALL,
High Commissioner.

Inclosure 2 in No. 17.

The Marquis of Ripon to Sir W. Sendall.

Downing Street, September 14, 1894.

Sir,

I HAVE the honour to acknowledge the receipt of your despatch of the 21st ultimo, and to inform you that I approve of the proposals which you there make for utilizing the salt collected last year for the use of the Turkish Government.

I have, &c.
(Signed) RIPON.

No. 18.

Sir P. Currie to the Earl of Kimberley.—(*Received October* 8.)

(No. 453. Confidential.)

Therapia, October 3, 1894.

My Lord,

IT is always difficult to obtain reliable information as to the real financial condition of Turkey. There appears to be no doubt, however, that there is a deficit in this year's accounts of between £ T. 1,500,000 and £ T. 2,000,000. The deficiency is ascribed to the reduced value of the tithes, owing to the fall in agricultural produce, and the amount of the railway guarantees for which the Government have made themselves responsible.

Sir Edgar Vincent, who has just returned to Constantinople, informs me that it is proposed to tide over the difficulty by means of a conversion of the "Obligations de Douane" and of a loan on the fisheries. The practice to which recourse is so frequently had by the Turkish Government of meeting its necessities by capitalizing present or future sources of revenue appears likely in the long run to lead to even more fatal results than the loans formerly resorted to.

I have, &c.
(Signed) PHILIP CURRIE.